

Message Text

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SUBJECT: PRESIDENT PEREZ STATEMENT ON IRON ORE NATIONALIZATION

REF: CARACAS 12108

1. ON EVE OF HIS DEPARTURE TO PARTICIPATE IN AYACUCHO CEREMONY IN PERU, PRESIDENT PEREZ DELIVERED COMMEMORATIVE SPEECH REPORTED REFTEL WHICH CONTAINED FOLLOWING SUMMARIZED DETAILS ON IRON ORE NATIONALIZATION.

2. FUTURE HISTORY OF VENEZUELAN PEOPLE WILL BE WRITTEN WITH OIL AND IRON. DECREE NUMBER 580 WAS ANNOUNCED BY AUTHORITY OF PARAGRAPH SEVEN OF ARTICLE ONE OF THE LAW GRANTING SPECIAL ECONOMIC AND FINANCIAL POWERS TO THE PRESIDENT. DECREE 580 TERMINATES ALL IRON ORE CONCESSIONS OF ORINOCO MINING COMPANY (U.S. STEEL) AND IRON MINES (BETHLEHEM STEEL) AS OF JANUARY 1, 1975, AND RESERVES THE EXPLOITATION OF IRON ORE FOR THE STATE.

3. INSTALLATIONS, EQUIPMENT AND OTHER GOODS OF THE FORMER CONCESSION HOLDERS, MAIN OFFICES, AFFILIATES, SUBSIDIARIES AND ASSOCIATED ORGANIZATIONS THAT ARE PART OF CONCESSIONS, OR WHICH THE STATE CONSIDERS NECESSARY FOR CONTINUING WITH IRON ORE EXPLOITATION, WILL BE TURNED OVER TO THE STATE AS OF THAT DATE
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FREE OF ANY CHARGE OR TAX. AUTHORIZATION IS GIVEN TO STUDY

POSSIBLE AGREEMENTS WITH FORMER CONCESSIONARY COMPANIES, SUBJECT TO CONGRESSIONAL APPROVAL IN JOINT SESSION.

4. ALTHOUGH LEGAL PROVISION IS MADE TO EXPROPRIATE THE CONCESSIONS IF AGREEMENT BETWEEN THE GOVERNMENT AND THE COMPANIES ON THE NATIONALIZATION IS NOT POSSIBLE BY THE JANUARY DATE, PRESIDENT PEREZ ANNOUNCED SUCH ACTION WILL PROBABLY NOT BE NECESSARY BECAUSE AN AGREEMENT HAS BEEN REACHED TO TURN OVER THE OPERATIONS IN A FRIENDLY MANNER.

5. COMPENSATION TO BE PAID WILL NOT BE GREATER THAN COST OF GOODS, MINUS ACCUMULATED DEPRECIATION AND AMORTIZATION USED FOR INCOME TAX PURPOSES. PAYMENT TO COMPANIES FOR NATIONALIZATION OF THEIR ASSETS WILL BE THROUGH TEN YEAR PROMISSORY NOTES ISSUED BY VENEZUELAN GUAYANA CORPORATION (CFG). THEY WILL CARRY A SEVEN PERCENT ANNUAL INTEREST.

6. PRIOR TO JANUARY 1, 1975, THE TWO COMPANIES MUST CERTIFY BEFORE CVG AND LABOR MINISTRY THAT THEY HAVE DEPOSITED IN CENTRAL BANK OF VENEZUELA AMOUNT OF BENEFITS DUE WORKERS. ALSO, ALL OUTSTANDING TAXES MUST BE CANCELLED.

7. PRESIDENT PEREZ CITED FOLLOWING HISTORICAL DATA IN SUPPORT OF NATIONALIZATION MEASURE. DURING 24 YEAR LIFE OF IRON ORE CONCESSIONS, INDUSTRY PRODUCED 323 MILLION TONS (97 PERCENT), OF WHICH 315 MILLION WERE SENT UNPROCESSED ABROAD. WITH AN INVESTMENT OF BS 1,484 BILLION MULTINATIONAL COMPANIES ACHIEVED PROFITS OF BS. 3,392 BILLION, MEANING THEY HAVE RECOVERED TWO AND ONE-HALF TIMES THEIR INVESTED CAPITAL. IN SAME PERIOD FROM 1950 TO 1974, NATION RECEIVED BS. 5.2 MILLION FROM IRON ORE EXPORTS. IF THE IRON ORE HAD BEEN PROCESSED IN VENEZUELA WITH JLP EQUIVALENT AMOUNT OF STEEL BEING EXPORTED, IT WOULD HAVE PRODUCED REVENUE TOTALING BS 100 BILLION. THIS FIGURE DEMONSTRATES WITHOUT FURTHER ARGUMENT THE HARM DONE TO THE COUNTRY'S BEST INTEREST BY THE SURRENDER OF BASIC RESOURCES.

8. VENEZUELA WILL NOW BECOME A GREAT STEEL PRODUCER. IN COURSE OF THREE YEARS, CURRENT DEFICIT-CAUSING PRODUCTION OF ONE MILLION TONS ANNUALLY WILL BE RAISED TO FIVE MILLION, AND IN A FEW MORE YEARS TO FIFTEEN MILLION TONS. VENEZUELA WILL BE CAPABLE USING UNCLASSIFIED

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ADDED REVENUE FROM STEEL PRODUCTION IN MANUFACTURE OF MACHINERY. STEEL AND METALWORKING ARE INDUSTRIES ON WHICH WEALTH OF COUNTRY WILL BE BASED.

9. PRESIDENT PEREZ REFERRED TO VENEZUELAN AGREEMENT WITH ORINOCO MINING COMPANY AND IRON MINES AS A MAGNIFICANT SOLUTION THAT OPENS FAVORABLE PERSPECTIVES FOR THE VERY DIFFICULT AND COMPLEX SITUATION THAT WILL ARISE WITH THE EXPIRATION OF THE OIL

CONCESSIONS THAT WILL TAKE PLACE BY SOVEREIGN DECISION OF VENEZUELA IN FORTHCOMING MONTHS.

10. GAZETTE CONTAINING TEXT OF DECISION 580 WILL BE TRANSMITTED WHEN PUBLISHED. RAY RYAN, CHIEF NEGOTIATOR FOR U.S. STEEL, COULD PROVIDE NO FURTHER DETAILS AT THIS TIME AS NO DOCUMENTS HAVE YET BEEN SIGNED WITH VENEZUELAN GOVERNMENT. RYAN SAID PROCESS WILL CONSIST OF SERIES OF AGREEMENTS STILL BEING WORKED OUT, AND THAT HE ANTICIPATED NO FURTHER FORMAL CEREMONIES FOLLOWING THIS ADDRESS BY PRESIDENT PEREZ.
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